

**REPORT OF THE AUDIT OF THE  
CARROLL COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Members of the Carroll County Fiscal Court

The enclosed report prepared by Percy and Gray, PSC, Certified Public Accountants, presents the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements.

We engaged Percy and Gray, PSC to perform the audit of these financial statements. We worked closely with the firm during our report review process; Percy and Gray, PSC, evaluated the Carroll County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen

Auditor of Public Accounts

Enclosure





## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT**

**June 30, 2009**

Peercy and Gray, PSC has completed the audit of the Carroll County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$16,834,845 as of June 30, 2009. In its governmental activities, the fiscal court had restricted net assets of \$20,480 and unrestricted net assets of \$10,217,610 as of June 30, 2009, with total net assets of \$16,720,561. In its business-type activities, total net cash and cash equivalents were \$114,284 with total net assets of \$114,284. The fiscal court had total debt principal as of June 30, 2009 of \$490,000 with \$90,000 due within the next year.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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## PEERCY AND GRAY, PSC

### Certified Public Accountants

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To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Harold Tomlinson, Carroll County Judge/Executive

Members of the Carroll County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Harold Tomlinson, Carroll County Judge/Executive  
Members of the Carroll County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2009 on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

November 6, 2009

CARROLL COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

|                  |                        |
|------------------|------------------------|
| Harold Tomlinson | County Judge/Executive |
| Floyd Bowling    | Magistrate             |
| Dean Miller      | Magistrate             |
| Mark Bates       | Magistrate             |

**Other Elected Officials:**

|                  |                                  |
|------------------|----------------------------------|
| James Monk       | County Attorney                  |
| Michael Humphrey | Jailer                           |
| Alice Marsh      | County Clerk                     |
| Laman Stark      | Circuit Court Clerk              |
| Ben Smith        | Sheriff                          |
| Rob Robertson    | Property Valuation Administrator |
| David Willoite   | Coroner                          |

**Appointed Personnel:**

|                |                            |
|----------------|----------------------------|
| Debra Cayton   | County Treasurer           |
| Traci Courtney | Occupational Tax Collector |
| Nicki Beckham  | Finance Officer            |

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**CARROLL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**CARROLL COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

|  | <b>Primary Government</b> |                      |               |
|--|---------------------------|----------------------|---------------|
|  | <b>Governmental</b>       | <b>Business-Type</b> | <b>Totals</b> |
|  | <b>Activities</b>         | <b>Activities</b>    |               |
| <b>ASSETS</b>                                    |                           |                      |               |
| Current Assets:                                  |                           |                      |               |
| Cash and Cash Equivalents                        | \$ 9,838,090              | \$ 114,284           | \$ 9,952,374  |
| Loan Receivable                                  | 400,000                   |                      | 400,000       |
| Total Current Assets                             | 10,238,090                | 114,284              | 10,352,374    |
| Noncurrent Assets:                               |                           |                      |               |
| Capital Assets - Net of Accumulated Depreciation |                           |                      |               |
| Land and Land Improvements                       | 232,533                   |                      | 232,533       |
| Construction in Progress                         | 41,474                    |                      | 41,474        |
| Buildings  | 3,825,715                 |                      | 3,825,715     |
| Equipment  | 602,515                   |                      | 602,515       |
| Vehicles   | 428,823                   |                      | 428,823       |
| Infrastructure                                   | 1,841,411                 |                      | 1,841,411     |
| Total Noncurrent Assets                          | 6,972,471                 |                      | 6,972,471     |
| Total Assets                                     | 17,210,561                | 114,284              | 17,324,845    |
| <b>LIABILITIES</b>                               |                           |                      |               |
| Current Liabilities:                             |                           |                      |               |
| Revenue Bonds Payable                            | 90,000                    |                      | 90,000        |
| Total Current Liabilities                        | 90,000                    |                      | 90,000        |
| Noncurrent Liabilities:                          |                           |                      |               |
| Revenue Bonds Payable                            | 400,000                   |                      | 400,000       |
| Total Noncurrent Liabilities                     | 400,000                   |                      | 400,000       |
| Total Liabilities                                | 490,000                   |                      | 490,000       |
| <b>NET ASSETS</b>                                |                           |                      |               |
| Invested in Capital Assets, Net of Related Debt  | 6,482,471                 |                      | 6,482,471     |
| Restricted For:                                  |                           |                      |               |
| Debt Service                                     | 20,480                    |                      | 20,480        |
| Unrestricted                                     | 10,217,610                | 114,284              | 10,331,894    |
| Total Net Assets                                 | \$ 16,720,561             | \$ 114,284           | \$ 16,834,845 |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**CARROLL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

| <b>Functions/Programs<br/>Reporting Entity</b> | <b>Expenses</b> | <b>Program Revenues Received</b> |   |   |
|--|-----------------|----------------------------------|---|---|
|  |                 | <b>Charges for<br/>Services</b>  | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> |
| <b>Primary Government:</b>                     |                 |                                  |   |   |
| Governmental Activities:                       |                 |                                  |   |   |
| General Government                             | \$ 2,124,113    | \$ 2,119                         | \$ 73,307   | \$  |
| Protection to Persons and Property             | 2,337,163       | 901,516                          | 1,153,435   |   |
| General Health and Sanitation                  | 247,329         |                                  | 13,396  |   |
| Social Services                                | 81,351          |                                  | 6,183   |   |
| Recreation and Culture                         | 418,181         | 38,539                           | 25,689  |   |
| Roads  | 834,595         |                                  | 718,959   |   |
| Airports                                       | 6,000           |                                  |   |   |
| Debt Service                                   | 20,700          |                                  |   |   |
| Capital Projects                               | 58,526          |                                  |   | 107,700   |
| Total Governmental Activities                  | 6,127,958       | 942,174                          | 1,990,969   | 107,700   |
| Business-type Activities:                      |                 |                                  |   |   |
| Jail Canteen                                   | 34,768          | 25,297                           |   |   |
| Total Business-Type Activities                 | 34,768          | 25,297                           |   |   |
| Total Primary Government                       | \$ 6,162,726    | \$ 967,471                       | \$ 1,990,969                                      | \$ 107,700                                      |

**General Revenues:**

Taxes:

Real Property Taxes  
Personal Property Taxes  
Motor Vehicle Taxes  
Occupational Taxes  
Other Taxes

Excess Fees

Telephone 911 Fee

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CARROLL COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

| <b>Net (Expenses) Revenues<br/>and Changes in Net Assets</b> |                                     |                |
|--|-------------------------------------|----------------|
| <b>Primary Government</b>                                    |                                     |                |
| <b>Governmental<br/>Activities</b>                           | <b>Business-Type<br/>Activities</b> | <b>Totals</b>  |
| \$ (2,048,687)   | \$                                  | \$ (2,048,687) |
| (282,212)  |                                     | (282,212)      |
| (233,933)  |                                     | (233,933)      |
| (75,168)   |                                     | (75,168)       |
| (353,953)  |                                     | (353,953)      |
| (115,636)  |                                     | (115,636)      |
| (6,000)  |                                     | (6,000)        |
| (20,700)   |                                     | (20,700)       |
| 49,174   |                                     | 49,174         |
| (3,087,115)  |                                     | (3,087,115)    |
|  | (9,471)                             | (9,471)        |
|  | (9,471)                             | (9,471)        |
| (3,087,115)  | (9,471)                             | (3,096,586)    |
| 216,410  |                                     | 216,410        |
| 358,586  |                                     | 358,586        |
| 105,942  |                                     | 105,942        |
| 2,985,227  |                                     | 2,985,227      |
| 17,441   |                                     | 17,441         |
| 72,855   |                                     | 72,855         |
| 61,027   |                                     | 61,027         |
| 500,799  |                                     | 500,799        |
| 175,390  |                                     | 175,390        |
| 4,493,677  |                                     | 4,493,677      |
| 1,406,562  | (9,471)                             | 1,397,091      |
| 15,313,999   | 123,755                             | 15,437,754     |
| \$ 16,720,561  | \$ 114,284                          | \$ 16,834,845  |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**CARROLL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

|                           | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Jail<br/>Fund</b> | <b>Public<br/>Properties<br/>Corporation<br/>Fund</b> | <b>LGEA<br/>Fund</b> |  |
|---------------------------|-------------------------|----------------------|----------------------|---|----------------------|--|
| <b>ASSETS</b>             |                         |                      |                      |   |                      |  |
| Cash and Cash Equivalents | \$ 4,830,204            | \$ 824,179           | \$ 1,010,572         | \$ 20,480   | \$ 2,514,363         |  |
| Loan Receivable           | 400,000                 |                      |                      |   |                      |  |
| Total Assets              | <u>5,230,204</u>        | <u>824,179</u>       | <u>1,010,572</u>     | <u>20,480</u>   | <u>2,514,363</u>     |  |
| <b>FUND BALANCES</b>      |                         |                      |                      |   |                      |  |
| Unreserved:               |                         |                      |                      |   |                      |  |
| General Fund              | 5,230,204               |                      |                      |   |                      |  |
| Special Revenue Funds     |                         | 824,179              | 1,010,572            |   | 2,514,363            |  |
| Debt Service Fund         |                         |                      |                      | 20,480  |                      |  |
| Total Fund Balances       | <u>\$ 5,230,204</u>     | <u>\$ 824,179</u>    | <u>\$ 1,010,572</u>  | <u>\$ 20,480</u>                                      | <u>\$ 2,514,363</u>  |  |

The accompanying notes are an integral part of the financial statements.

**CARROLL COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

| <b>Ambulance<br/>Fund</b> | <b>Non-<br/>Major<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------|---------------------------------|---|
| \$ 462,132                | \$ 176,160                      | \$ 9,838,090<br>400,000                 |
| <u>462,132</u>            | <u>176,160</u>                  | <u>10,238,090</u>                       |
| 462,132                   | 176,160                         | 5,230,204                               |
|                           |                                 | 4,987,406                               |
|                           |                                 | <u>20,480</u>                           |
| <u>\$ 462,132</u>         | <u>\$ 176,160</u>               | <u>\$ 10,238,090</u>                    |

**Reconciliation Of The Balance Sheet - Governmental Funds To The  
Statement Of Net Assets**

|  |                      |
|--|----------------------|
| Total Fund Balances  | \$ 10,238,090        |
| Amounts Reported For Governmental Activities In The Statement<br>Of Net Assets Are Different Because:                      |                      |
| Capital Assets Used in Governmental Activities Are Not Financial Resources<br>And Therefore Are Not Reported in the Funds. | 12,483,708           |
| Accumulated Depreciation   | (5,511,237)          |
| Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not<br>Reported in the Funds.               |                      |
| Revenue Bonds Payable - Principal  | <u>(490,000)</u>     |
| Net Assets Of Governmental Activities  | <u>\$ 16,720,561</u> |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

|   | <b>General<br/>Fund</b> | <b>Road<br/>Fund</b> | <b>Jail<br/>Fund</b> | <b>Public<br/>Properties<br/>Corporation<br/>Fund</b> |
|---|-------------------------|----------------------|----------------------|---|
| <b>REVENUES</b>   |                         |                      |                      |   |
| Taxes   | \$ 3,683,606            | \$                   | \$                   | \$  |
| Excess Fees   | 72,855                  |                      |                      |   |
| Intergovernmental   | 73,307                  | 718,959              | 1,043,402            | 107,700   |
| Charges for Services  | 2,119                   |                      | 278,213              |   |
| Miscellaneous   | 371,939                 | 20,097               | 82,306               |   |
| Interest  | 98,073                  | 6,672                | 28,806               | 139   |
| Total Revenues  | <u>4,301,899</u>        | <u>745,728</u>       | <u>1,432,727</u>     | <u>107,839</u>  |
| <b>EXPENDITURES</b>   |                         |                      |                      |   |
| General Government  | 640,005                 |                      |                      |   |
| Protection to Persons and Property  | 298,111                 |                      | 1,111,543            |   |
| General Health and Sanitation   | 122,080                 |                      |                      |   |
| Social Services   | 76,351                  |                      |                      |   |
| Recreation and Culture  | 143,067                 |                      |                      |   |
| Roads   |                         | 526,815              |                      |   |
| Bus Services  | 6,000                   |                      |                      |   |
| Debt Service  |                         |                      |                      | 105,700   |
| Capital Projects  | 218,488                 |                      | 87,865               |   |
| Administration  | 532,138                 | 167,759              | 454,675              | 2,052   |
| Total Expenditures  | <u>2,036,240</u>        | <u>694,574</u>       | <u>1,654,083</u>     | <u>107,752</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | <u>2,265,659</u>        | <u>51,154</u>        | <u>(221,356)</u>     | <u>87</u>   |
| <b>Other Financing Sources (Uses)</b>   |                         |                      |                      |   |
| Transfers From Other Funds  |                         | 414,625              |                      |   |
| Transfers To Other Funds  | (2,503,883)             |                      |                      |   |
| Total Other Financing Sources (Uses)  | <u>(2,503,883)</u>      | <u>414,625</u>       |                      |   |
| Net Change in Fund Balances   | (238,224)               | 465,779              | (221,356)            | 87  |
| Fund Balances - Beginning   | 5,468,428               | 358,400              | 1,231,928            | 20,393  |
| Fund Balances - Ending  | <u>\$ 5,230,204</u>     | <u>\$ 824,179</u>    | <u>\$ 1,010,572</u>  | <u>\$ 20,480</u>                                      |

The accompanying notes are an integral part of the financial statements.

**CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

| <b>LGEA<br/>Fund</b> | <b>Ambulance<br/>Fund</b> | <b>Non-<br/>Major<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|----------------------|---------------------------|---------------------------------|---|
| \$                   | \$                        | \$ 61,027                       | \$ 3,744,633                            |
|                      |                           |                                 | 72,855                                  |
| 25,689               |                           | 129,612                         | 2,098,669                               |
|                      | 623,303                   | 38,539                          | 942,174                                 |
| 12,960               | 384                       | 13,113                          | 500,799                                 |
| 38,019               | 1,369                     | 2,312                           | 175,390                                 |
| <u>76,668</u>        | <u>625,056</u>            | <u>244,603</u>                  | <u>7,534,520</u>                        |
|                      |                           |                                 | 640,005                                 |
| 14,787               | 540,302                   | 203,891                         | 2,168,634                               |
|                      |                           | 124,408                         | 246,488                                 |
|                      |                           |                                 | 76,351                                  |
| 99,678               |                           | 157,456                         | 400,201                                 |
|                      |                           |                                 | 526,815                                 |
|                      |                           |                                 | 6,000                                   |
|                      |                           |                                 | 105,700                                 |
| 109,515              |                           |                                 | 415,868                                 |
| 3,995                | 263,569                   | 49,009                          | 1,473,197                               |
| <u>227,975</u>       | <u>803,871</u>            | <u>534,764</u>                  | <u>6,059,259</u>                        |
|                      |                           |                                 |   |
| <u>(151,307)</u>     | <u>(178,815)</u>          | <u>(290,161)</u>                | <u>1,475,261</u>                        |
|                      |                           |                                 |   |
| 1,388,750            | 376,855                   | 323,653                         | 2,503,883                               |
|                      |                           |                                 | (2,503,883)                             |
| <u>1,388,750</u>     | <u>376,855</u>            | <u>323,653</u>                  |   |
|                      |                           |                                 |   |
| 1,237,443            | 198,040                   | 33,492                          | 1,475,261                               |
| 1,276,920            | 264,092                   | 142,668                         | 8,762,829                               |
| <u>\$ 2,514,363</u>  | <u>\$ 462,132</u>         | <u>\$ 176,160</u>               | <u>\$ 10,238,090</u>                    |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**CARROLL COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

|   |                            |
|---|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds  | \$ 1,475,261               |
| Amounts Reported for Governmental Activities in the Statement of Activities<br>Are Different Because:   |                            |
| Assets Disposed Of - Net Book Value   |                            |
| Governmental Funds Report Capital Outlays as Expenditures. However, in the<br>Statement of Activities the Cost of those Assets Is Allocated over Their<br>Estimated Useful Lives and Reported as Depreciation Expense.  |                            |
| Capital Outlay  | 391,681                    |
| Depreciation Expense  | (545,380)                  |
| Bond Principal Payments Are Expensed in the Governmental Funds as a Use of Current<br>Financial Resources. However, these Amounts Decrease Non-current Liabilities on<br>the Statement of Net Assets and Have Been Eliminated on the Statement of Activities. |                            |
| Revenue Bond Principal Payments   | <u>85,000</u>              |
| Change in Net Assets of Governmental Activities   | <u><u>\$ 1,406,562</u></u> |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**CARROLL COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

|                           | <b>Business-Type<br/>Activities<br/>Enterprise<br/>Fund</b> | <b>Jail<br/>Canteen<br/>Fund</b> |
|---------------------------|---|----------------------------------|
| <b>Assets</b>             |   |                                  |
| Current Assets:           |   |                                  |
| Cash and Cash Equivalents | \$ 114,284  |                                  |
| Total Assets              | <u>114,284</u>  |                                  |
| <b>Net Assets</b>         |   |                                  |
| Unrestricted              | <u>114,284</u>  |                                  |
| Total Net Assets          | <u><u>\$ 114,284</u></u>                                    |                                  |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**CARROLL COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

|                              | <b>Business-Type<br/>Activities<br/>Enterprise<br/>Fund</b> |
|------------------------------|---|
|                              | <b>Jail<br/>Canteen<br/>Fund</b>                            |
| <b>Operating Revenues</b>    |   |
| Canteen Receipts             | \$ 25,297   |
| Total Operating Revenues     | <u>25,297</u>   |
| <b>Operating Expenses</b>    |   |
| Educational and Recreational | <u>34,768</u>   |
| Total Operating Expenses     | <u>34,768</u>   |
| Operating Income (Loss)      | <u>(9,471)</u>  |
| Change In Net Assets         | (9,471)   |
| Total Net Assets - Beginning | <u>123,755</u>  |
| Total Net Assets - Ending    | <u><u>\$ 114,284</u></u>                                    |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**CARROLL COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

|   | <u><b>Business-Type<br/>Activities<br/>Enterprise<br/>Fund</b></u> |
|---|--|
|   | <u><b>Jail<br/>Canteen<br/>Fund</b></u>                            |
| <b>Cash Flows From Operating Activities</b>   |  |
| Receipts From Customers   | \$ 25,297  |
| Payments to Suppliers   | <u>(34,768)</u>  |
| Net Cash Provided (Used) By<br>Operating Activities   | <u>(9,471)</u>   |
| Net Decrease in Cash and Cash<br>Equivalents  | (9,471)  |
| Cash and Cash Equivalents - July 1, 2008  | <u>123,755</u>   |
| Cash and Cash Equivalents - June 30, 2009   | <u><u>\$ 114,284</u></u>   |
| <br><b>Reconciliation of Operating Income to<br/>Net Cash Provided (Used) by Operating<br/>Activities</b> | <br><u><b>Jail<br/>Canteen<br/>Fund</b></u>                        |
| Operating Income (Loss)   | <u>\$ (9,471)</u>  |
| Net Cash Provided (Used) By Operating<br>Activities   | <u><u>\$ (9,471)</u></u>   |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUND – MODIFIED CASH BASIS**

**June 30, 2009**



**CARROLL COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

|                                    | <u><b>Agency Fund</b></u>                 |
|------------------------------------|---|
|                                    | <u><b>Jail<br/>Inmate<br/>Account</b></u> |
| <b>Assets</b>                      |   |
| Current Assets:                    |   |
| Cash and Cash Equivalents          | \$ <u>527</u>                             |
| Total Assets                       | <u><u>527</u></u>                         |
| <b>Liabilities</b>                 |   |
| Amounts Held In Custody For Others | <u>527</u>                                |
| Total Liabilities                  | <u><u>\$ 527</u></u>                      |

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

**Blended Component Unit**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**Carroll County Public Properties Corporation**

The Carroll County Public Properties Corporation was established for the purpose of providing long-term financing for approved projects. The Carroll County Fiscal Court is financially accountable for the component unit as part of the reporting entity and its financial activity is blended with that of the Fiscal Court.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Carroll County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carroll County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, normally are supported by taxes and intergovernmental revenues.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

**Governmental Funds**

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for the general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants and recreational user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - This fund is used to account for the county emergency medical services activities. Revenues are received from patients and transfers from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of revenue bonds of the fiscal court. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: State Grants Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Ambulance Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund are special revenue funds. These funds are used to account for the proceeds of specific revenues and expenditures that are legally restricted for specific purposes.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund:**

The Public Properties Corporation Fund is a debt service fund and is used to account for the accumulation of resources for and payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Fiduciary Funds**

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Account - This fund accounts for funds received from prisoners upon arrival at the Detention Center and remitted to the prisoners upon release.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

|                                     | Capitalization<br>Threshold | Useful Life<br>(Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements                   | \$ 12,500                   | 10-60                  |
| Buildings and Building Improvements | \$ 25,000                   | 10-75                  |
| Machinery and Equipment             | \$ 5,000                    | 3-25                   |
| Vehicles                            | \$ 5,000                    | 3-25                   |
| Infrastructure                      | \$ 20,000                   | 10-25                  |

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers from are budgeted in the General Fund to comply with these requirements. The State Local Finance Officer does not require this fund to be budgeted.

The State Local Finance Officer does not require the Jail Canteen Fund or the Jail Inmate Account to be budgeted because the fiscal court does not approve the expenditures made from these funds.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy with regard to custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

|   | Reporting Entity     |                     |             |                     |
|---|----------------------|---------------------|-------------|---------------------|
|   | Beginning<br>Balance | Increases           | Decreases   | Ending<br>Balance   |
| <b>Primary Government:</b>                      |                      |                     |             |                     |
| <u>Governmental Activities:</u>                 |                      |                     |             |                     |
| Capital Assets Not Being Depreciated:           |                      |                     |             |                     |
| Land and Land Improvements                      | \$ 232,533           | \$                  | \$          | \$ 232,533          |
| Construction In Progress                        |                      | 41,474              |             | 41,474              |
| Total Capital Assets Not Being<br>Depreciated   | 232,533              | 41,474              |             | 274,007             |
| Capital Assets, Being Depreciated:              |                      |                     |             |                     |
| Buildings                                       | 5,526,475            | 170,465             |             | 5,696,940           |
| Equipment                                       | 873,702              | 83,683              |             | 957,385             |
| Vehicles  | 1,012,115            | 61,720              |             | 1,073,835           |
| Infrastructure                                  | 4,447,202            | 34,339              |             | 4,481,541           |
| Total Capital Assets Being<br>Depreciated       | 11,859,494           | 350,207             |             | 12,209,701          |
| Less Accumulated Depreciation For:              |                      |                     |             |                     |
| Buildings                                       | (1,747,751)          | (123,474)           |             | (1,871,225)         |
| Equipment                                       | (299,688)            | (55,182)            |             | (354,870)           |
| Vehicles  | (590,580)            | (54,432)            |             | (645,012)           |
| Infrastructure                                  | (2,327,838)          | (312,292)           |             | (2,640,130)         |
| Total Accumulated Depreciation                  | (4,965,857)          | (545,380)           |             | (5,511,237)         |
| Total Capital Assets, Being<br>Depreciated, Net | 6,893,637            | (195,173)           |             | 6,698,464           |
| Governmental Activities Capital<br>Assets, Net  | <u>\$ 7,126,170</u>  | <u>\$ (153,699)</u> | <u>\$ 0</u> | <u>\$ 6,972,471</u> |



**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

|  |                   |
|--|-------------------|
| General Government   | \$ 10,911         |
| Protection to Persons and Property                             | 168,529           |
| General Health and Sanitation                                  | 841               |
| Social Services  | 5,000             |
| Recreation and Culture   | 17,980            |
| Roads, Including Depreciation of General Infrastructure Assets | <u>342,119</u>    |
| Total Depreciation Expense - Governmental Activities           | <u>\$ 545,380</u> |

**Note 4. Long-term Debt**

On September 17, 2002, the Carroll County Public Properties Corporation issued \$1,040,000 First Mortgage Revenue Bonds, Series 2002. The bonds were issued for the purpose of refunding the Carroll County Public Properties Corporation First Mortgage Revenue Bonds (Justice Center Project), Series 1993, the proceeds of which were used to finance the construction of the Carroll County Justice Center. Interest is payable semi-annually on March 1 and September 1 of each year with a variable interest rate ranging from 1.45% to 3.90%. Principal payments are due on March 1 each year in the amounts stated below. The total principal balance outstanding as of June 30, 2009 was \$490,000.

| Fiscal Year Ended<br>June 30 | Governmental Activities |                  |
|------------------------------|-------------------------|------------------|
|                              | Principal               | Interest         |
| 2010                         | \$ 90,000               | \$ 17,980        |
| 2011                         | 95,000                  | 14,920           |
| 2012                         | 100,000                 | 11,595           |
| 2013                         | 100,000                 | 7,895            |
| 2014                         | <u>105,000</u>          | <u>4,095</u>     |
| Totals                       | <u>\$ 490,000</u>       | <u>\$ 56,485</u> |

**Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

|                                 | Beginning<br>Balance | Additions | Reductions       | Ending<br>Balance | Due Within<br>One Year |
|---------------------------------|----------------------|-----------|------------------|-------------------|------------------------|
| <b>Primary Government:</b>      |                      |           |                  |                   |                        |
| <u>Governmental Activities:</u> |                      |           |                  |                   |                        |
| Revenue Bonds                   | \$ 575,000           | \$        | \$ 85,000        | \$ 490,000        | \$ 90,000              |
| Governmental Activities         |                      |           |                  |                   |                        |
| Long-term Liabilities           | <u>\$ 575,000</u>    | <u>\$</u> | <u>\$ 85,000</u> | <u>\$ 490,000</u> | <u>\$ 90,000</u>       |

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 5. Interest On Long-Term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$20,700 in interest on bonds.

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.5 percent. The contribution requirements and the amounts contributed to CERS were \$258,204, \$312,805, and \$250,655, respectively, for the years ended June 30, 2009, 2008, and 2007.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Deferred Compensation**

On February 24, 2000, the Carroll County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 8. Insurance**

For the fiscal year ended June 30, 2009, Carroll County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**CARROLL COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2009**  
**(Continued)**

**Note 9.    Loan Receivable**

On February 1, 2008, Carroll County Fiscal Court approved an interest free loan to Carroll County Memorial Hospital for \$500,000, with the total amount of the loan due on December 31, 2008. On June 15, 2009, a new agreement was reached, stating the remaining balance of the loan is due on December 31, 2009. The balance on this loan as of June 30, 2009 is \$400,000.

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**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2009**

|   | <b>GENERAL FUND</b>     |                    |  |   |
|---|-------------------------|--------------------|--|---|
|   | <b>Budgeted Amounts</b> |                    | <b>Actual<br/>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|   | <b>Original</b>         | <b>Final</b>       |  |   |
| <b>REVENUES</b>   |                         |                    |  |   |
| Taxes   | \$ 3,112,591            | \$ 3,112,591       | \$ 3,683,606   | \$ 571,015  |
| Excess Fees   | 912                     | 55,357             | 72,855   | 17,498  |
| Intergovernmental   | 68,686                  | 68,686             | 73,307   | 4,621   |
| Charges for Services  | 1,500                   | 1,500              | 2,119  | 619   |
| Miscellaneous   | 628,000                 | 628,000            | 471,939  | (156,061)   |
| Interest  | 84,500                  | 84,500             | 98,073   | 13,573  |
| Total Revenues  | <u>3,896,189</u>        | <u>3,950,634</u>   | <u>4,401,899</u>                                     | <u>451,265</u>  |
| <b>EXPENDITURES</b>   |                         |                    |  |   |
| General Government  | 831,217                 | 986,215            | 796,295  | 189,920   |
| Protection to Persons and Property  | 480,155                 | 525,173            | 360,309  | 164,864   |
| General Health and Sanitation   | 679,940                 | 682,616            | 122,080  | 560,536   |
| Social Services   | 87,346                  | 90,210             | 76,351   | 13,859  |
| Recreation and Culture  | 245,567                 | 246,967            | 143,067  | 103,900   |
| Transportation Facilities and Services  | 6,000                   | 6,000              | 6,000  |   |
| Administration  | 1,796,010               | 1,643,499          | 532,138  | 1,111,361   |
| Total Expenditures  | <u>4,126,235</u>        | <u>4,180,680</u>   | <u>2,036,240</u>                                     | <u>2,144,440</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | <u>(230,046)</u>        | <u>(230,046)</u>   | <u>2,365,659</u>                                     | <u>2,595,705</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |                    |  |   |
| Transfers From Other Funds  |                         |                    |  |   |
| Transfers To Other Funds  | <u>(2,503,883)</u>      | <u>(2,503,883)</u> | <u>(2,503,883)</u>                                   |   |
| Total Other Financing Sources (Uses)  | <u>(2,503,883)</u>      | <u>(2,503,883)</u> | <u>(2,503,883)</u>                                   |   |
| Net Changes in Fund Balance   | <u>(2,733,929)</u>      | <u>(2,733,929)</u> | <u>(138,224)</u>                                     | <u>2,595,705</u>  |
| Fund Balance - Beginning  | <u>2,733,929</u>        | <u>2,733,929</u>   | <u>4,968,428</u>                                     | <u>2,234,499</u>  |
| Fund Balance - Ending   | <u>\$ 0</u>             | <u>\$ 0</u>        | <u>\$ 4,830,204</u>                                  | <u>\$ 4,830,204</u>   |

**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

|   | <b>ROAD FUND</b>        |              |   |   |
|---|-------------------------|--------------|---|---|
|   | <b>Budgeted Amounts</b> |              | <b>Actual</b>                             | <b>Variance with</b>                            |
|   | <b>Original</b>         | <b>Final</b> | <b>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Final Budget<br/>Positive<br/>(Negative)</b> |
| <b>REVENUES</b>   |                         |              |   |   |
| Intergovernmental   | \$ 695,264              | \$ 745,264   | \$ 718,959                                | \$ (26,305)                                     |
| Miscellaneous   | 2,000                   | 20,254       | 20,097                                    | (157)   |
| Interest  | 9,600                   | 9,600        | 6,672                                     | (2,928)   |
| Total Revenues  | 706,864                 | 775,118      | 745,728                                   | (29,390)  |
| <b>EXPENDITURES</b>   |                         |              |   |   |
| Roads   | 1,178,792               | 1,256,475    | 526,815                                   | 729,660   |
| Administration  | 442,697                 | 431,300      | 167,759                                   | 263,541   |
| Total Expenditures  | 1,621,489               | 1,687,775    | 694,574                                   | 993,201   |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | (914,625)               | (912,657)    | 51,154                                    | 963,811   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |              |   |   |
| Transfers From Other Funds  | 414,625                 | 414,625      | 414,625                                   |   |
| Total Other Financing Sources (Uses)  | 414,625                 | 414,625      | 414,625                                   |   |
| Net Changes in Fund Balance   | (500,000)               | (498,032)    | 465,779                                   | 963,811   |
| Fund Balance - Beginning  | 500,000                 | 500,000      | 358,400                                   | (141,600)                                       |
| Fund Balance - Ending   | \$ 0                    | \$ 1,968     | \$ 824,179                                | \$ 822,211                                      |



**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

| <b>JAIL FUND</b>  |                         |                    |   |   |
|---|-------------------------|--------------------|---|---|
|   | <b>Budgeted Amounts</b> |                    | <b>Actual</b>                             | <b>Variance with</b>                            |
|   | <b>Original</b>         | <b>Final</b>       | <b>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Final Budget<br/>Positive<br/>(Negative)</b> |
| <b>REVENUES</b>   |                         |                    |   |   |
| Intergovernmental   | \$ 1,335,591            | \$ 1,335,591       | \$ 1,043,402                              | \$ (292,189)                                    |
| Charges for Services  | 317,596                 | 317,596            | 278,213                                   | (39,383)  |
| Miscellaneous   | 81,294                  | 81,294             | 82,306                                    | 1,012   |
| Interest  | 38,698                  | 38,698             | 28,806                                    | (9,892)   |
| Total Revenues  | <u>1,773,179</u>        | <u>1,773,179</u>   | <u>1,432,727</u>                          | <u>(340,452)</u>                                |
| <b>EXPENDITURES</b>   |                         |                    |   |   |
| Protection to Persons and Property  | 1,250,631               | 1,379,900          | 1,199,408                                 | 180,492   |
| Administration  | 1,622,548               | 1,495,247          | 454,675                                   | 1,040,572                                       |
| Total Expenditures  | <u>2,873,179</u>        | <u>2,875,147</u>   | <u>1,654,083</u>                          | <u>1,221,064</u>                                |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | <u>(1,100,000)</u>      | <u>(1,101,968)</u> | <u>(221,356)</u>                          | <u>880,612</u>                                  |
| Net Changes in Fund Balance   | (1,100,000)             | (1,101,968)        | (221,356)                                 | 880,612   |
| Fund Balance - Beginning  | <u>1,100,000</u>        | <u>1,100,000</u>   | <u>1,231,928</u>                          | <u>131,928</u>                                  |
| Fund Balance - Ending   | <u>\$ 0</u>             | <u>\$ (1,968)</u>  | <u>\$ 1,010,572</u>                       | <u>\$ 1,012,540</u>                             |

**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

|   | <b>LGEA FUND</b>        |              |  |   |
|---|-------------------------|--------------|--|---|
|   | <b>Budgeted Amounts</b> |              | <b>Actual<br/>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|   | <b>Original</b>         | <b>Final</b> |  |   |
| <b>REVENUES</b>   |                         |              |  |   |
| Intergovernmental   | \$ 33,400               | \$ 33,400    | \$ 25,689  | \$ (7,711)  |
| Miscellaneous   |                         |              | 12,960   | 12,960  |
| Interest  | 2,000                   | 2,000        | 38,019   | 36,019  |
| Total Revenues  | 35,400                  | 35,400       | 76,668   | 41,268  |
| <b>EXPENDITURES</b>   |                         |              |  |   |
| Protection to Persons and Property  | 14,787                  | 14,787       | 14,787   |   |
| Recreation and Culture  | 154,720                 | 154,720      | 99,678   | 55,042  |
| Capital Projects  | 1,500,000               | 1,500,000    | 109,515  | 1,390,485   |
| Administration  | 4,643                   | 4,643        | 3,995  | 648   |
| Total Expenditures  | 1,674,150               | 1,674,150    | 227,975  | 1,446,175   |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | (1,638,750)             | (1,638,750)  | (151,307)  | 1,487,443   |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |              |  |   |
| Transfers From Other Funds  | 1,388,750               | 1,388,750    | 1,388,750  |   |
| Total Other Financing Sources (Uses)  | 1,388,750               | 1,388,750    | 1,388,750  |   |
| Net Changes in Fund Balances  | (250,000)               | (250,000)    | 1,237,443  | 1,487,443   |
| Fund Balances - Beginning   | 250,000                 | 250,000      | 1,276,920  | 1,026,920   |
| Fund Balances - Ending  | \$ 0                    | \$ 0         | \$ 2,514,363   | \$ 2,514,363  |

**CARROLL COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

| <b>AMBULANCE FUND</b>   |                         |                  |  |   |
|---|-------------------------|------------------|--|---|
|   | <b>Budgeted Amounts</b> |                  | <b>Actual<br/>Amounts,<br/>(Budgetary<br/>Basis)</b> | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|   | <b>Original</b>         | <b>Final</b>     |  |   |
| <b>REVENUES</b>   |                         |                  |  |   |
| Charges for Services  | \$ 500,000              | \$ 500,000       | \$ 623,303   | \$ 123,303  |
| Miscellaneous   | 2,100                   | 2,100            | 384  | (1,716)   |
| Interest  | 800                     | 800              | 1,369  | 569   |
| Total Revenues  | <u>502,900</u>          | <u>502,900</u>   | <u>625,056</u>                                       | <u>122,156</u>  |
| <b>EXPENDITURES</b>   |                         |                  |  |   |
| Protection to Persons and Property  | 788,581                 | 767,313          | 540,302  | 227,011   |
| Administration  | 291,174                 | 312,442          | 263,569  | 48,873  |
| Total Expenditures  | <u>1,079,755</u>        | <u>1,079,755</u> | <u>803,871</u>                                       | <u>275,884</u>  |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | <u>(576,855)</u>        | <u>(576,855)</u> | <u>(178,815)</u>                                     | <u>398,040</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                         |                  |  |   |
| Transfers From Other Funds  | <u>376,855</u>          | <u>376,855</u>   | <u>376,855</u>                                       |   |
| Total Other Financing Sources (Uses)  | <u>376,855</u>          | <u>376,855</u>   | <u>376,855</u>                                       |   |
| Net Changes in Fund Balances  | (200,000)               | (200,000)        | 198,040  | 398,040   |
| Fund Balances - Beginning   | <u>200,000</u>          | <u>200,000</u>   | <u>264,092</u>                                       | <u>64,092</u>   |
| Fund Balances - Ending  | <u>\$ 0</u>             | <u>\$ 0</u>      | <u>\$ 462,132</u>                                    | <u>\$ 462,132</u>   |

**CARROLL COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the General Fund**

|  |                            |
|--|----------------------------|
| Total Revenues - Budgetary Basis                   | \$ 4,401,899               |
| To Record Payment on Hospital Loan                 | <u>(100,000)</u>           |
| Total Revenues- Modified Cash Basis                | <u><u>\$ 4,301,899</u></u> |
| <br>Total Beginning Fund Balance - Budgetary Basis | <br>\$ 4,968,428           |
| To Record Prior Year Notes Receivable              | <u>500,000</u>             |
| Total Beginning Fund Balance - Modified Cash Basis | <u><u>\$ 5,468,428</u></u> |
| <br>Total Ending Fund Balance - Budgetary Basis    | <br>\$ 4,830,204           |
| To Record Prior Year Notes Receivable              | 500,000                    |
| To Record Payment on Hospital Loan                 | <u>(100,000)</u>           |
| Total Ending Fund Balance - Modified Cash Basis    | <u><u>\$ 5,230,204</u></u> |

**CARROLL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**



**CARROLL COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

|                           | <b>State<br/>Grants<br/>Fund</b> | <b>Solid Waste<br/>Fund</b> | <b>Parks and<br/>Recreation<br/>Fund</b> | <b>911 Fund</b>  | <b>911 Wireless<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|---------------------------|----------------------------------|-----------------------------|--|------------------|------------------------------|---|
| <b>ASSETS</b>             |                                  |                             |  |                  |                              |   |
| Cash and Cash Equivalents | \$ 11,669                        | \$ 81,700                   | \$ 33,561                                | \$ 18,763        | \$ 30,467                    | \$ 176,160  |
| Total Assets              | <u>11,669</u>                    | <u>81,700</u>               | <u>33,561</u>                            | <u>18,763</u>    | <u>30,467</u>                | <u>176,160</u>  |
| <b>FUND BALANCES</b>      |                                  |                             |  |                  |                              |   |
| Unreserved:               |                                  |                             |  |                  |                              |   |
| Special Revenue Funds     | <u>11,669</u>                    | <u>81,700</u>               | <u>33,561</u>                            | <u>18,763</u>    | <u>30,467</u>                | <u>176,160</u>  |
| Total Fund Balances       | <u>\$ 11,669</u>                 | <u>\$ 81,700</u>            | <u>\$ 33,561</u>                         | <u>\$ 18,763</u> | <u>\$ 30,467</u>             | <u>\$ 176,160</u>                                     |

The accompanying notes are an integral part of the financial statements.

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**CARROLL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**

**CARROLL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

|   | <b>State<br/>Grants<br/>Fund</b> | <b>Solid Waste<br/>Fund</b> | <b>Parks and<br/>Recreation<br/>Fund</b> | <b>911 Fund</b>  |
|---|----------------------------------|-----------------------------|--|------------------|
| <b>REVENUES</b>   |                                  |                             |  |                  |
| Taxes   | \$                               | \$                          | \$                                       | \$ 61,027        |
| Intergovernmental   | 16,352                           | 13,396                      |  |                  |
| Charges For Services  |                                  |                             | 38,539                                   |                  |
| Miscellaneous   |                                  | 7,475                       | 5,638                                    |                  |
| Interest  |                                  | 415                         | 245                                      | 729              |
| Total Revenues  | <u>16,352</u>                    | <u>21,286</u>               | <u>44,422</u>                            | <u>61,756</u>    |
| <b>EXPENDITURES</b>   |                                  |                             |  |                  |
| Protection to Persons and Property  | 10,256                           |                             |  | 74,311           |
| General Health and Sanitation   | 4,683                            | 119,725                     |  |                  |
| Recreation and Culture  |                                  |                             | 157,456                                  |                  |
| Administration  |                                  | 24,958                      | 24,051                                   |                  |
| Total Expenditures  | <u>14,939</u>                    | <u>144,683</u>              | <u>181,507</u>                           | <u>74,311</u>    |
| Excess (Deficiency) of Revenues Over<br>Expenditures Before Other<br>Financing Sources (Uses) | <u>1,413</u>                     | <u>(123,397)</u>            | <u>(137,085)</u>                         | <u>(12,555)</u>  |
| <b>Other Financing Sources (Uses)</b>   |                                  |                             |  |                  |
| Transfers From Other Funds  |                                  | 153,971                     | 169,682                                  |                  |
| Total Other Financing Sources (Uses)  |                                  | <u>153,971</u>              | <u>169,682</u>                           |                  |
| Net Change in Fund Balances   | 1,413                            | 30,574                      | 32,597                                   | (12,555)         |
| Fund Balances - Beginning   | 10,256                           | 51,126                      | 964                                      | 31,318           |
| Fund Balances - Ending  | <u>\$ 11,669</u>                 | <u>\$ 81,700</u>            | <u>\$ 33,561</u>                         | <u>\$ 18,763</u> |

The accompanying notes are an integral part of the financial statements.

**CARROLL COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**  
**(Continued)**

| <b>911 Wireless<br/>Fund</b> | <b>Total<br/>Non-Major<br/>Governmental<br/>Funds</b> |
|------------------------------|---|
| \$                           | \$  |
| 99,864                       | 61,027  |
|                              | 129,612   |
|                              | 38,539  |
|                              | 13,113  |
| 923                          | 2,312   |
| <u>100,787</u>               | <u>244,603</u>  |
| 119,324                      | 203,891   |
|                              | 124,408   |
|                              | 157,456   |
|                              | 49,009  |
| <u>119,324</u>               | <u>534,764</u>  |
| <u>(18,537)</u>              | <u>(290,161)</u>                                      |
|                              | 323,653   |
|                              | <u>323,653</u>  |
| (18,537)                     | 33,492  |
| 49,004                       | 142,668   |
| <u>\$ 30,467</u>             | <u>\$ 176,160</u>                                     |

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





## **PEERCY AND GRAY, PSC**

**Certified Public Accountants**

2300 Hurstbourne Village Drive, Suite 500

Louisville, Kentucky 40299

Phone: (502) 493-1090

FAX: (502) 493-7231

The Honorable Harold Tomlinson, Carroll County Judge/Executive  
Members of the Carroll County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 6, 2009. Carroll County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carroll County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Carroll County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Percy and Gray, PSC". The signature is written in a cursive, flowing style.

Percy and Gray, PSC  
Certified Public Accountants

November 6, 2009



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CARROLL COUNTY FISCAL COURT**

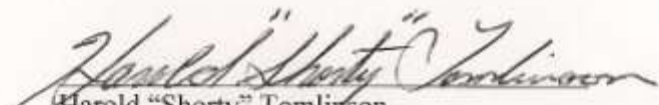
**For The Fiscal Year Ended  
June 30, 2009**

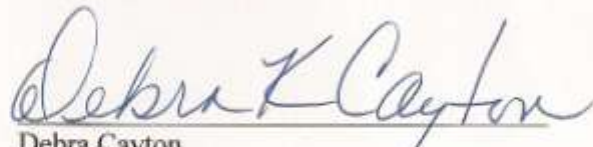


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2009

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
Harold "Shorty" Tomlinson  
County Judge/Executive

  
Debra Cayton  
County Treasurer

